

Adamjee Insurance Company-Target price of RS: 62

When it comes to premiums, Adamjee Insurance Company Limited (AICL) has been doing an extraordinary job of late; far better than its peer's. Adamjee Insurance has proven to be an exception by managing to bring strong top line growth throughout the FY14. As per recent results of 1st Quarter 2015 of Company, Gross Premium of the Company has increased by 17% where as the Net Premium has increased by 19%. Net Claims and Net Commission have increased by 12% and 17%, respectively over the corresponding period of last year. The investment income of the Company has decreased by 9% as compared to last year and the Profit Before and After Tax has increased by 15% and 17%, respectively from the same period of last year.

PKR 000	FY13-14	1Q-FY15	(F)FYE15
Net Premium	6,302,550	1,820,672	7,555,789
Net Claims	4,088,215	1,064,845	(4,195,489)
Underwriting Result	369,210	257,208	1,346,122
Investment income	5,674	636,419	1,591,048
Rental income	2,060,861	1,561	6,244
Profit Before Tax	2,030,472	788,591	2,533,015
Provision for taxation	151,374	-51,264	(197,366)
Profit After Tax	1,879,098	737,327	2,335,649
EPS	5.4	2.11	6.67

Life Insurance Business:

AICL is also into the life insurance business. Although company is suffering from losses in Life Insurance due to the nature of the business as it can be seen in most Life Insurance businesses to suffer a loss during the early years of operations, but these losses gradually turn into profits. Company will enjoy higher earnings after life insurance will contribute towards calculating overall EPS of the group.

Earnings raised on better investment income:

We estimate earnings for AICL of Rs6.67 per share. Going forward, we anticipate core business to remain on an upward trajectory in view of notable improvement in macro-economic indicators with GoP expecting higher GDP growths of 5% and 6% in FY15 and FY16, respectively. In the next quarters with underwriting business expected to post a profit of Rs 1,346 mn in 2015.

Firm investments to drive portfolio value:

Stock is currently trading at Rs: 44.60/Share offering a potential upside of 39% with a target price of Rs: 62/Share. With the earning of Rs 6.67 for the FY-15 stock will be trading at PE of x12. We maintain "BUY" stance on this script.

May 21-2015

HCAR: BUY

Current Price: 44.60

Target Price: 52

Key Data

Ticker	HCAR
52Week High(PKR/sh) Adj	57.10
52Week Low(PKR/sh)Adj	37.93
Market Cap.(PKR Bn)	15.75 B
P/E Ratios 2015(E)	15

	EPS	B.Value
2011	1.1	88.12
2012	5	32.82
2013	5.6	37.28
2014	5.4	40.30

	PAT	Retention Ratio
2011	132,177	6.41
2012	628,055	-39.32
2013	1,966,159	37.70
2014	1,879,098	48.78

	Inv Inc to PAT	P/E(Adj)
2011	644.83	-
2012	212.050	-
2013	119.89	12
2014	109.67	12
2015	0	15

	Div Yield (%)	RACE
2011	5.4	1.2
2012	2.2	5.6
2013	9.4	16.0
2014	4.5	13.8

	Underwriting Result / Net Premium (%)
2011	2.4
2012	(7.3)
2013	2.5
2014	5.9

Research Desk

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